

# **FISCAL NOTE**

## **SB 884 - HB 1363**

April 26, 2005

**SUMMARY OF BILL:** Creates the Tennessee Comprehensive Health Insurance Pool (TCHIP). Requires all health insurance issuers and providers of health plan benefits and all persons and entities operating health maintenance organizations (HMOs) in this state would be required to become members of the pool. The Commissioner of Finance and Administration would select an 11-member board of directors for the pool which would submit an annual funding plan and an operation plan for the pool. The board would also submit an annual financial report to the standing committees of the General Assembly. The pool administrator would provide for eligibility and administrative claim payment functions. Individuals who have been a resident of the state for at least one year are eligible except for: persons who have or who are eligible for equivalent coverage under another health plan; persons eligible for TennCare; persons with terminated pool coverage; any person on whose behalf the pool has paid out \$1,000,000 in benefits; or inmates of public institutions and persons whose benefits are duplicated under other public programs. Premium rates are not to be greater than 150% of the standard risk rate. Enacts the Tennessee Employer Health Care Responsibility Act which is a privilege tax for employers which provides an exemption for manufacturers and employers with less than 25 employees.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$7,000,000 Recurring  
\$2,800,000 One-Time**

**Increase State Revenues - \$1,500,000,000**

#### **Assumptions:**

- The state appropriation would be required to fill the potential gap between the premiums raised and the anticipated plan expenses.
- Premiums from the plan participants will account for approximately 50% of the overall plan expenses with the other half of operational expenses being provided by a combination of state appropriation and industry assessment.
- The premium is based on the average employee premium of the state health plans, the per capita benefit payments.
- The state appropriation, based on 150% of the average premium per 1,000 enrollees, is estimated at \$2.2 million.
- Start up costs include procurement of plan administrator, procurement of actuary, actuarial services, and benefits consulting


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estimated at \$60,000. Ongoing operations and oversight for the Division of Insurance and Administration include an F&A program director, an administrative secretary, and Insurance Benefit Analyst 2 position, work stations, consulting and actuarial services estimated at \$189,295.

- The Department of Revenue estimates \$4,977,675 in recurring costs for taxpayer services (\$1,822,442), audits (\$691,284), tax enforcement (\$385,287), fiscal services (\$79,710), special investigations (\$259,003), ITR (\$791,622), legal (\$114,478), and processing (\$833,849). The Department estimates a one-time expenditure of \$2,805,960 for set-up the program and services.
- The Department of Revenue is authorized to require estimated periodic payments on a monthly or quarterly basis for the privilege tax set at a rate that equals one percent of the employer's annual gross receipts. One-third of the tax will be offset by the health insurance credit contained in the bill.
- Increase in state revenue is estimated at \$1.5 billion based on tax year 2002 and a 2% growth rate.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director